



Chesterfield County, Virginia

Lane B. Ramsey, County Administrator

9901 Lori Road – P.O. Box 40 – Chesterfield, VA 23832-0040

Phone: (804) 748-1211 – Fax: (804) 717-6297 – Internet: chesterfield.gov

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May 27, 2004

Honorable Members of the
Board of Supervisors
County of Chesterfield
Chesterfield, Virginia 23832

Dear Members of the Board:

I am pleased to submit to you and to the citizens of Chesterfield County the Biennial Financial Plan for Fiscal Years 2005 and 2006. This plan balances revenues and expenditures for each year of the biennium. It also provides a view of future resource allocations by presenting balanced revenue and expenditure projections for the three years succeeding this biennium. Development of this plan was guided by the strategic goals last amended by the Board of Supervisors in FY2003. Furthermore, key Board objectives and other immediate priorities helped shape this financial plan.

Information within this document is centered on two broad themes: the county's overall strategic purpose and the allocation of available resources to best reach our vision. The strategic planning section articulates the overall roadmap for the future as well as a report on progress toward our goals. Department narratives provide more details on each county function and the role the department plays in the county's efforts. The financial policy section highlights best practices utilized in preserving the county's strong financial position. Funding and staffing levels are presented at a summary level and are further defined on a detailed level in individual department narratives. Adherence to the strategic plan during the budgeting process assures we remain focused on our mission of being a FIRST CHOICE community through excellence in public service.

While you took action on April 14, 2004 to adopt the county's Biennial Financial Plan for FY2005 and FY2006, the Commonwealth continued an unprecedented budgetary stalemate. As the county budget was adopted we anxiously awaited closure on the debate over a new tax plan and biennial budget in the General Assembly. After the Commonwealth finally reached consensus in early May, staff began to evaluate the full impact to the county of the decisions made in the capital city. Staff has been able to work through a significant portion of the newly adopted state budget. We were fortunate to have received significant additional funds, primarily for education. Because of the magnitude of the new funding, I worked closely with the superintendent of schools in formulating budget amendments, which are set to be acted on at your June 2004 meeting.

Providing a **FIRST CHOICE** community through excellence in public service.

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The approximately \$17.5 million amendment allows Chesterfield to advance initiatives in education, public safety, and road construction while taking care of our employees by keeping the total compensation package competitive in the regional marketplace. Funding for these changes comes primarily from a portion of a one-half cent increase in the state sales tax rate, an increase in local recordation taxes due to a change in the state's recordation tax rate, and expenditure savings from a rate reduction for schools for the Virginia Retirement System.

FY2005 Recommended Amendments

SCHOOLS

Amendments

Revenue

Sales Tax

\$4,725,900

County Transfer

(4,500,000) *

State

9,122,000

Local

0

Federal/Other

573,600

Total Revenue

\$9,921,500

Expenditures

Adjustments required by state budget:

Reduction in VRS rates

(\$3,816,600)

Detention Home

38,000

Drop out prevention (elimination of student achievement grant)

294,600

Subtotal

(\$3,484,000)

Unbudgeted expenses due to FY2004 shortfall

4,907,000

Expenditure changes since adoption

527,000

Other Initiatives to be funded

7,971,500

(adjust salary increase to 4%, reduce Pupil Teacher Ratio by 0.5, staffing reserve for unanticipated growth)

Total Expenditures

\$9,921,500

*See county chart on following page detailing use of these funds.

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FY2005 Recommended Amendments

COUNTY

Amendments

Revenue

<i>Reduce Transfer to Schools (see prior page)</i>	<i>\$4,500,000</i>
<i>(portion of the sales tax increase)</i>	

Recommended Expenditures

<i>Increase merit from 2.5% to 4% for FY2005 for employees</i>	<i>\$1,500,000</i>
<i>Debt Service for potential transportation package</i>	<i><u>3,000,000</u></i>
	<i>\$4,500,000</i>

Other General Fund Revenues

<i>Local Recordation Tax</i>	<i>\$850,000</i>
<i>HB 599 Funds</i>	<i>600,000</i>
<i>ABC Profits</i>	<i>(100,000)</i>
<i>Convention Center Refund</i>	<i><u>75,000</u></i>
	<i>\$1,425,000</i>

Recommended Expenditures

<i>Voting Machines</i>	<i>\$500,000</i>
<i>Police Grant Expenses</i>	<i>410,000</i>
<i>Reserve for Health Care Costs for FY2006</i>	<i>400,000</i>
<i>Adult Protective Services Worker</i>	<i>40,000</i>
<i>2007 Tourism Initiative</i>	<i><u>75,000</u></i>
	<i>\$1,425,000</i>

The preceding tables outline the highlights of the amendment. Since the budget was officially adopted in April, these changes are not reflected in this published document. The figures and text that follow in this letter, the body of this document, and the appropriations resolution do not reflect this amendment. I felt it important to provide some perspective on how the commonwealth's budget impacted the county as best we know it at this time.

The FY2005 budget ,adopted on April 14, totaling \$888.5 million represents an increase of 9.4 percent over the FY2004 adopted budget. The FY2006 budget totals \$912.0 million, 2.6 percent above the FY2005 budget. The combined biennial budget for FY2005 and FY2006 totals in excess of \$1.8 billion. The total budget consists of the general fund; the school funds; comprehensive services; grants; enterprise funds including the airport, wastewater and water and internal service funds including construction management, vehicle and communications maintenance and risk management. Funding levels for each of these components is highlighted in the table below, showing a comparison to the FY2004 adopted budget. The general fund, the main operating fund of the county, includes most traditional local government programs such as Police, Fire, Libraries, and Parks. Debt service of the county (excluding schools), funding for capital projects as well as fund balance are also budgeted in the general fund. The FY2005 budget includes 116 new positions representing

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an increase of 3.5 percent over FY2004 adopted staffing levels of 3,265 full time employees. We are a diverse organization responsible for the prudent management of significant resources. With funding of this magnitude, it is easy to see why we take seriously the goal to be exemplary stewards of the public trust.

Chesterfield County, Virginia – Total Budget for the FY2005 and FY2006 Biennium

	FY2004 Budget	FY2005 Adopted	FY2006 Approved
<i>General Fund</i>	525,539,700	\$561,822,300	\$584,178,500
<i>School Funds</i>	428,969,900	462,386,500	480,552,600
<i>Comprehensive Services</i>	6,033,800	7,964,000	9,058,500
<i>Grants</i>	7,272,200	8,945,500	8,374,700
<i>Enterprise Funds</i>	67,568,100	83,569,400	81,040,900
<i>Internal Service Funds</i>	18,060,900	17,617,300	18,252,500
<i>Transfers</i>	(241,286,300)	(253,773,500)	(269,447,200)
TOTAL BUDGET	\$812,158,300*	\$888,531,500*	\$912,010,500*
<i>* Does not include amendments referenced at the beginning of this letter.</i>			

Accomplishments and Coming Challenges

Without question, the biggest challenge of the past year was our response to Hurricane Isabel, one of the most devastating natural disasters to touch Chesterfield and the commonwealth in known history. I am extremely proud of our citizens and employees, as well as those outside of the region, including utility company workers from neighboring states and Canada that came to the aide of those in need. Widespread damage and prolonged power outages primarily from tens of thousands of downed trees left citizens caring for each other while businesses, utility companies, local, state and federal government employees came together in a massive effort to provide assistance on many fronts. The largest of these county initiatives was for debris removal. The county approved a contract for the emergency removal of storm debris enabling a response immediately after the storm. At a cost of approximately \$15 million, citizens were provided a resource to have downed trees removed from their curbsides. Costs of the contract will be reimbursed largely by emergency relief funds from both FEMA and the commonwealth with approximately \$1.5 million paid from local funds. In the days following the storm, citizens came to the aide of their neighbors. The many acts of kindness in such difficult times truly displayed the resiliency of people in this community.

As troubling as the hurricane was, far greater turmoil continued overseas. Many of our employees are active reservists. The county has taken action to financially support its employees who are military reservists, and their families, during times of deployment. Chesterfield is proud of these employees and the sacrifice they make for our country's safety. Chesterfield's exemplary action was recently recognized in the Congressional Record.

Other major accomplishments include a significant investment in school facilities. The Board approved a comprehensive agreement for the construction of a new high school under the Public-Private Education Facilities and Infrastructure Act of 2002. Approval allows for this new high school to be completed two years earlier than originally planned. General obligation bonds sold through the Virginia Public School Authority at an opportune time resulted in significantly reduced costs of financing – the true interest cost of the bonds is 3.8 percent. Other capital improvement projects have been completed in the past year, including the airport terminal expansion, the Rivers Bend fire and rescue station, the juvenile detention home and various improvements to school and park facilities.

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The county ended fiscal year 2003 with positive results while addressing the impact of unprecedented reductions in state funding. Undesignated fund balance at June 30, 2003 totaled \$42.3 million representing 8.3 percent of general fund expenditures. These results exceed the target of 7.5 percent established by policy. Debt service as a percentage of general fund expenditures represented 8.0 percent, far below the target of 10 percent indicating a continued decline in our reliance on debt funding. Unemployment remains below others in the Richmond MSA, the commonwealth and the national averages. New business investments in FY2003, while below highs in 2001, still reached in excess of \$96.9 million.

Technology continues to be deployed to improve the delivery of services. Through the emergency systems integration project, personal computers are being issued to all police officers. Development of this system, being rolled out in 2004, includes a new computer aided dispatch system and automatic vehicle location technology. This technology will allow dispatchers to identify and dispatch public safety units best positioned to respond to emergency incidents. Thermal imaging cameras are now on all first-due engines and ladder trucks making fire fighting safer and providing improved methods for locating persons trapped in structures.

On regional fronts, the metro area can be proud of the new and expanded convention center that opened in 2003. Chesterfield, serving as the fiscal agent for the Greater Richmond Convention Center Authority, contributes 6 percent of collected transient occupancy taxes to the authority for operating and debt service expenses. This new 700,000 square foot facility provides premier convention space, including a 180,000 square foot exhibit hall for groups from around the country.

There are far too many other accomplishments to list here. Together with your support, our employees have done an outstanding job in providing a wide array of services for our citizens. There will continue to be challenges in the years ahead. This budget represents a viable blueprint for allocating resources in order to address those challenges and move the county forward.

This budget was developed with the goal of preserving existing services in light of increased demands. Primary considerations in developing this budget include funding the balance of operating costs of new facilities from the 1996 referendum; placing a priority in the areas of education, public safety and human services; and maintaining a commitment to employees by providing a merit increase and covering a significant portion of the increases in healthcare and all of the increase in pension plan costs.

Managing residential growth has taken on a higher level of importance. Staff is responding to the Chairman of this newly elected Board of Supervisors by developing options for the Board's consideration with respect to managing growth. We all recognize that reasonable growth should not be viewed negatively. In 2002, 7.5 percent of the jobs in Chesterfield were in the construction trade, the fourth largest non-governmental employment sector. We must define what is reasonable and appropriate through a review and update of the Comprehensive Plan, and look at the available options to address public facility needs of high-growth areas within the county.

Further, a diversified, stable and growing business community is vitally important to the long-term stability of the county. We are fortunate to have such a diversified local economy where more than 109,000 people are employed in manufacturing, trade and services positions with international, national and local companies. Staff is prepared to work with the Board to discuss appropriate resource allocations, fee structures and regulatory review processes and other requirements that may impact county businesses.

Planning for adequate infrastructure, particularly schools and roads, to meet our ever-changing community needs is well underway in anticipation of a referendum later in 2004. Capital improvement project funding levels are planned in accordance with the financial policies contained within this document. Staff has completed an update to the Public Facilities Plan that was subsequently adopted by the Board of Supervisors after review by citizens, members of the

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School Board and Planning Commission. The combination of the Public Facilities Plan, this budget and the Capital Improvement Program represent the plans for the future of capital facilities for our citizens.

Our Strategic Focus – Reaching Excellence Through Quality

Chesterfield County has developed a cost-effective and efficient strategic planning process that has greatly enhanced its ability to better serve its citizens. The process has resulted in the establishment of countywide goals, objectives and key outcome measures that have enhanced our decision-making capabilities. What is unique about this process is the fact that this is a strategic planning process versus a strategic plan. Beginning with an environmental scan and an analysis of the county's overall strengths, weaknesses, opportunities and threats, a set of seven goals was developed and deployed to every county employee. In recognition of the role of the environment in citizens' quality of life and the responsibility all levels of government share in protecting that environment, in 2002 the Board approved the addition of an eighth strategic goal - "To Be Responsible Protectors of the Environment." This goal means that we will protect the community by using processes, conservation, and technology that supports environmental health. These goals have been used to eliminate interdepartmental duplication of effort and identify gaps in our overall performance.

The Board of Supervisors has adopted the following countywide strategic goals:

CHESTERFIELD COUNTY STRATEGIC GOALS

1. To be exemplary stewards of the public trust
2. To provide world-class customer service
3. To be acknowledged for extraordinary quality of life
4. To be the safest and most secure community as compared to similar jurisdictions
5. To be a unifying leader of local government
6. To be the employer of choice
7. To be the FIRST CHOICE business community
8. To be responsible protectors of the environment

This strategic planning process is being used to link both individual and department performance to the county's overall goals, and enhance our teamwork and cross-functional cooperation. Each department narrative in this document contains several goals and objectives that show direct links to one or more of the county strategic goals. In addition, established targets are shown for each measure, as well as trend and benchmarking data. Finally, each objective has an identified list of initiatives, programs and/or activities that help to accomplish it. It speaks highly of our operations and our citizens that many organizations have chosen to recognize Chesterfield as a leader in quality government. The county's strategic planning process is ongoing. Yearly, the plan is reviewed to ensure decision-makers and citizens have the information they need to determine whether or not the county is moving towards its goals. To further test how well we are keeping pace with best practices and innovative approaches to leadership, strategic planning, customer focus and measurable results, the county has applied for its second U.S. Senate Productivity and Quality Award "Award for Continuing Excellence". The purpose of the award is to cultivate continuous performance improvement of Virginia organizations through a process of knowledge sharing, feedback and evaluation. We have received a site visit and eagerly await the results of the review committee's findings. While the outcome of our application will not be known until July, the knowledge we gain going through this process is invaluable.

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Further information regarding our strategic planning process may be found in the Strategic Plan section of this document. In addition to the countywide strategic goals, Board objectives were considered in developing the budget.

OBJECTIVES OF THE BOARD OF SUPERVISORS

- Maintain the current tax rate structure.
- Provide service levels that ensure a high quality of life for county residents, particularly in the areas of public safety and education.
- Maximize efficiency in government and excellence in customer service, consistent with the County's Total Quality Improvement philosophy. Specific goals within this objective include the following:
 - *Improve customer satisfaction.*
 - *Pursue the use of process management.*
 - *Improve the organizational climate.*
 - *Synchronize countywide strategic planning efforts.*
 - *Improve the county's performance measurement system.*
- Provide an organizational climate that enables the county to attract and retain the kind of employees who support the county's success.
- Promote Chesterfield County as a regional partner with our neighboring communities.
- Reduce the impact of growth by creating strong partnerships with the development community.
- Maintain a fund balance of 7.5 percent of general fund expenditures.
- Administer an effective Capital Improvement Program to ensure the availability of facilities and services.
- Create an environment that attracts new businesses, encourages business expansion and retains existing businesses in the county.
- Ensure an effective process is in place to address fiscal impacts of reductions in federal and state funding.
- Create a system of planning and performance accountability that ensures optimal use of the county's resources.
- Fund future capital improvement projects through reserve funds whenever possible to reduce future debt requirements.

Budgeting for Results

The context in which the county's budget is developed is not static; rather, it is complex and ever changing. Changes in the local and national economy, as well as policy changes at the State and Federal level, have important impacts on the county's financial status. The county's budget was developed as the General Assembly continued deliberations on a budget for the commonwealth.

Difficult choices have been made as we have developed this budget. Reductions approximating 1.5 percent (excluding merit increases) adopted with the FY2003 budget and continued into FY2004 have not been restored with this budget. Departments have been forced to rethink the manner in which services are delivered while minimizing any impact on the citizens that they serve. We have been successful in doing so, however, sustaining such practices becomes more and more difficult.

The budget is also influenced by and related to other planning documents. The Public Facilities Plan for example, provides the basis for capital improvement needs. The Capital Improvement Program describes the detailed funding plan for various projects identified in the Public Facilities Plan. Departmental funding levels have been established within the

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newly consolidated and updated financial policies. Departmental strategic plans also help shape the county's budget. Departments routinely review their business strategies for alignment with the overall county strategic goals. Through an iterative process, decisions on funding levels are made and presented in the budget.

This year we have included a consolidated financial policy section in the budget document. The Board of Supervisors last took action to approve financial policies in FY1988. Those policies, successfully implemented over the succeeding years, helped move Chesterfield into an elite group of counties privileged to hold triple-A ratings from the three major credit rating agencies. Many of the policies presented in this document have long been the practice of the Board. These policies combine best business practices of professionally recognized authorities, such as the National Advisory Council on State and Local Budgeting and the Government Finance Officers Association. Some of these policies which encompass revenues, the operating budget and the capital improvement program are highlighted below.

Financial and Debt Management Policies In response to the fiscal challenges inherent to our environment, Chesterfield adopts a conservative approach toward financial and debt management. The portion of the county's operating budget dedicated for repayment of debt is set by policy at 10 percent of general government expenditures. The FY2005-2011 Capital Improvement Program proposes an even lower percentage with the intention of maintaining a debt ratio closer to 8.5 percent of general government expenditures. The county's policy of funding a large portion of capital expenditures "as we go" by consistently reserving 5 percent of operating expenditures for capital investments further enhances debt management.

In addition, each year the county dedicates 7.5 percent of total general fund expenditures to fund balance. This is a tenet of the Board's commitment to prudent financial planning because it eliminates the need for short term borrowing, ensures that current obligations including debt payments can be met, and provides a cushion against the potential shock of any unexpected change in revenues. This practice, along with our conservative debt management policies, allows the county to maintain its enviable bond rating. The county's prudent financial policies were reaffirmed earlier in 2004 when the county's general obligation debt was rated AAA by all three major rating agencies.

Multi-Year Budgeting

The biennial budget is another approach that helps Chesterfield maintain a proactive financial posture. Our multi-year projections of both revenues and expenditures permit policy makers and staff to foresee future needs and to plan for managed growth in services. Additionally, the multi-year budgeting process allows Chesterfield to rationally plan for multi-year acquisitions and program financing, thereby allowing for maximized cash flow and investment.

Fiscal year 2005 is the first year of the FY2005 and FY2006 Biennial Budget. As a step toward a "stronger" biennial budget this year, the Board is asked to adopt the FY2005 and approve the FY2006 budget. Only the amounts for FY2005 will be appropriated; the county is prohibited from appropriating funds for two years as defined by the county code. In addition to the two years of the biennium, FY2003 actual funding levels are also presented. FY2007-2009 projections are based on conservative revenue estimates, and project baseline expenditure growth in the cost of providing current levels of service. With few exceptions, the only new positions and/or increases in the operating budget included in these projections are ones that are associated with the opening of new facilities, or that have revenue offsets. Limited necessary replacement capital is also included in the projections. Performance based salary increases are not reflected in the projection figures.

Projected debt service expenditures are based on requirements of current debt service, along with debt issuance planned in the future to accomplish projects described in the Capital Improvement Program, which includes potential referendum projects as well as certain lease-purchase projects. Fund balance in the General Fund is maintained at 7.5 percent of expenditures and funds for "program enhancements," if available, are identified to fund increased costs due to growth and operating costs of new facilities and programs.

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The Economy

Regardless of the county's efforts to maintain and predict our financial standing, we are not invulnerable to external factors. Trends in the national, regional and local economy as well as actions at the state level, have a tremendous impact on the county and its continued financial integrity. At the national level, the economy continues to perform at a steady pace as the job outlook improves. Federal Reserve districts reported economic activity during the first quarter of 2004 as "moderate" to "showing signs of accelerating". This is in contrast to the same time period last year when the Fed was describing the economy as "sluggish" or "soft."

Employment across the nation increased slightly during the first two months of 2004. Temporary staffing agencies, as well as employment agencies and professional placement agencies, reported slightly stronger demand for workers (Federal Reserve Bank). The growth in jobs was wide ranging, with most industries reporting increases. The Federal Reserve described January and February 2004 retail sales as fairly strong at the national level. The national residential real estate market continued to impress in the first quarter of 2004, with home sales and new construction remaining strong in most areas of the country despite wintry weather.

At the State and regional levels, the latest economic data indicates that the economy remains fairly solid and the near-term outlook is positive. Virginia typically performs better than the nation as a whole due to the industry mix in the state. Federal defense spending and a diversified industrial base help to bolster the economy. Retail sales continued to improve in the region during calendar year 2003, increasing 8.8 percent as of December 2003, when compared to the same period a year ago. Local sales tax collections remain strong for the first nine months of FY2004. The moving average for single family building permits in the metro region declined 10.6 percent for the twelve months ending December 2003. Going forward, relatively low interest rates and stronger employment are expected to continue to support new construction and existing home sales in the region's real estate market. Home sales are not however expected to be at the record levels of the past few years.

Overall, the economic trend is positive; however, state funding cuts have and will continue to have a negative impact on the county. The total estimated impact of state funding reductions to the county for FY2003 and FY2004 is \$12.3 million. More information on the national, state, regional and local economy as well as information on revenue trends can be found in the Revenue Analysis section of this document.

General Fund - What's In the Budget?

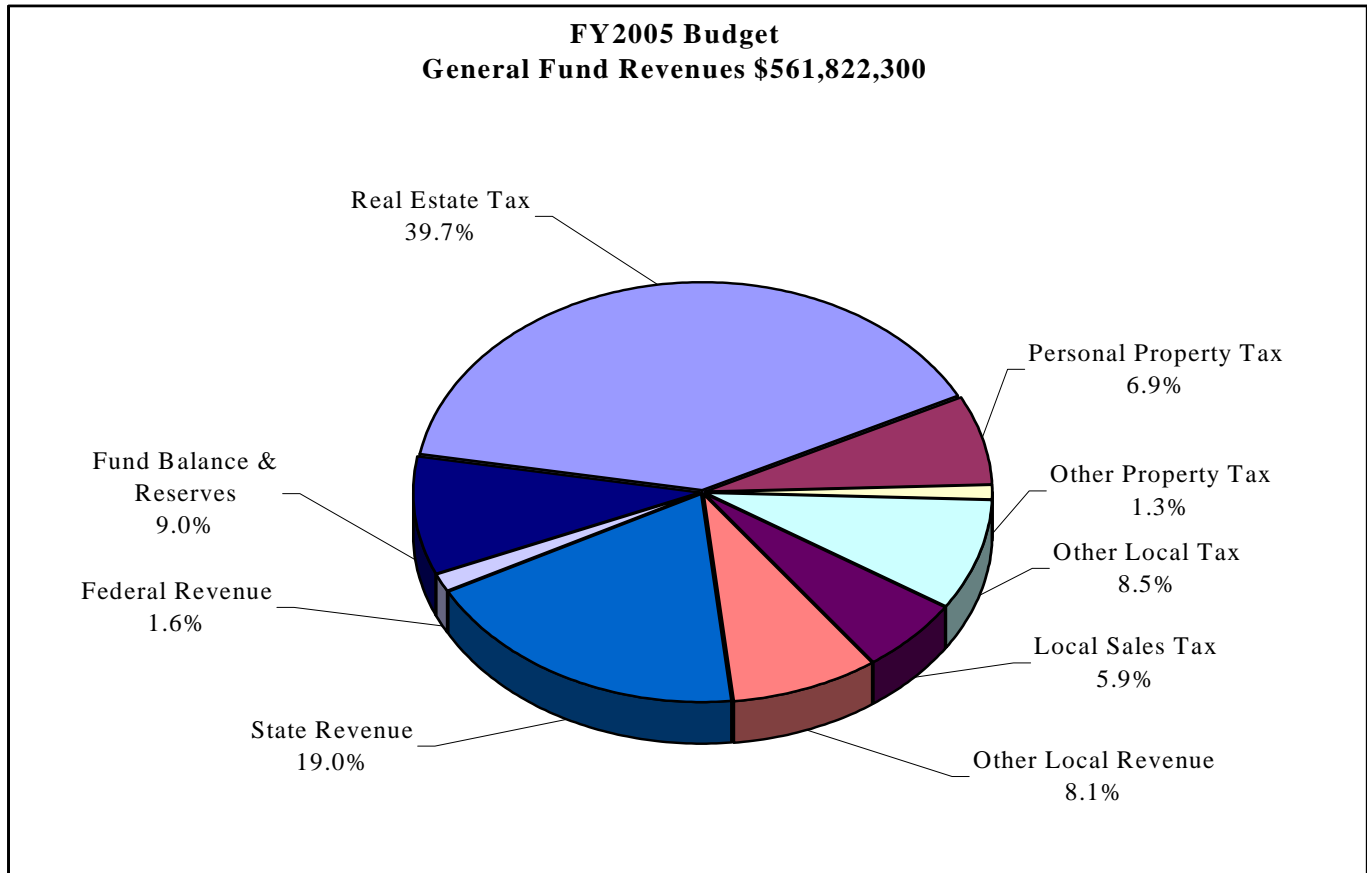
General Fund Revenues

The county relies on many different revenue streams to meet the demand for services. The largest revenue is the tax on real property comprising 39.7 percent of all general fund revenues. The budget is based on a real estate tax rate of \$1.07 per \$100 of assessed value. The projected real estate revenue is based on the January 2004 tax year assessment base of \$19 billion, a 9.7 percent increase over January 2003 assessments. Of the total increase, 3.4 percent is from new construction and 6.3 percent is from re-valuations of real estate.

Property taxes are also a major source of revenue for the county. Personal property taxes are projected to make up 6.9 percent of all general fund revenue. Calendar year 2004 will be the eighth year of reimbursement under the Personal Property Tax Relief Act of 1998 (PPTRA). Under this act, the state has reduced the percentage of the personal property tax bill residents' pay. This budget assumes the state will reimburse the county 70 percent of the amount due.

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More detailed information regarding the county's general fund revenues can be found in the Revenue Analysis section of this document.



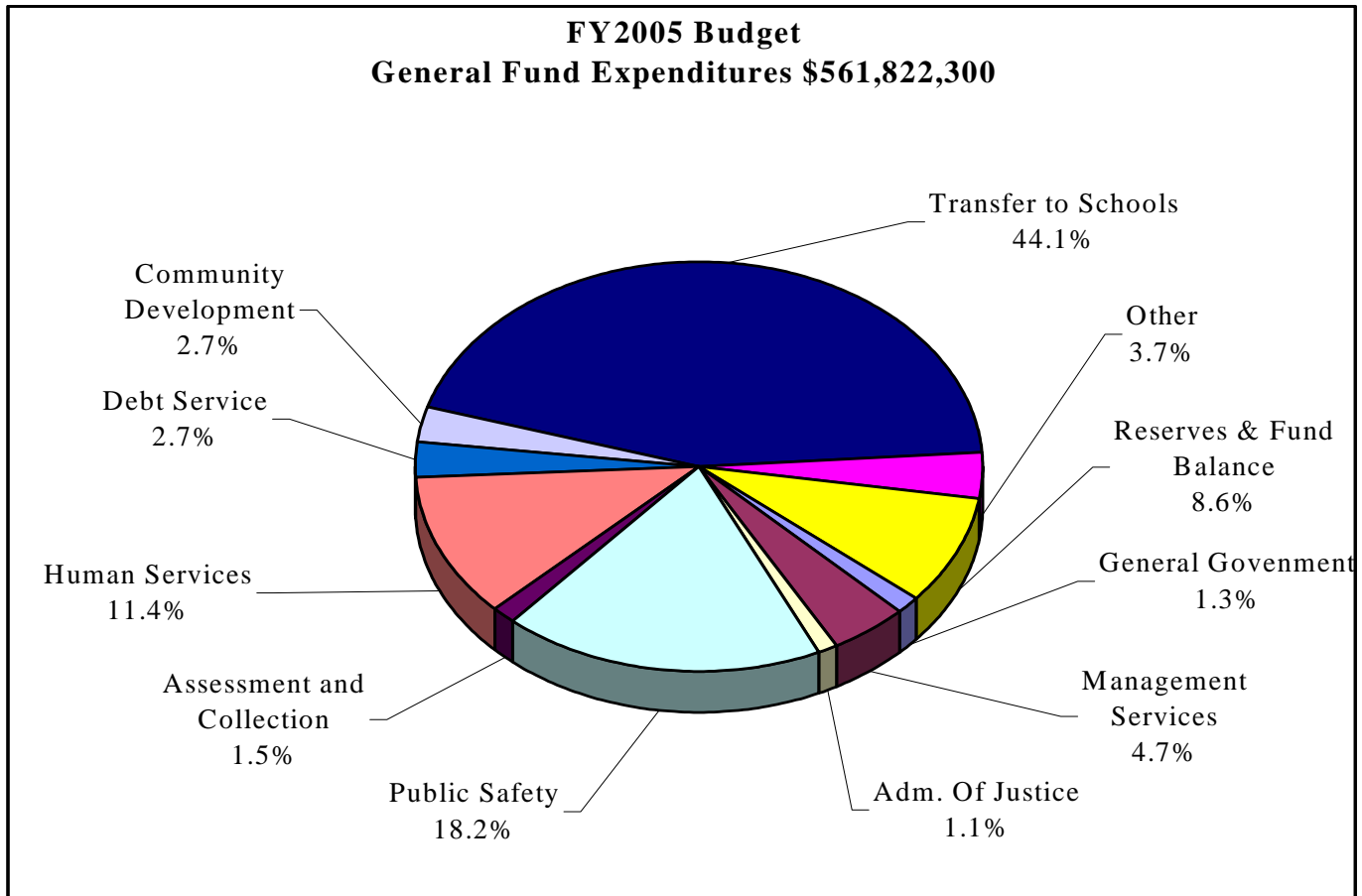
General Fund Expenditures

While the FY2005 budget projects higher growth in new revenue than in FY2004, the cost of providing basic services continues to climb. Of the \$34.2 million in new revenue, \$11.6 million is allocated to public education. An additional \$10.9 million is allocated for employee benefits and the balance of performance based merit increases that were approved in FY2004 as well as a performance based merit increase for county employees in FY2005. The largest increase in employee benefits is attributed to pension funding requirements. The funding level for county employees increased from a rate of 10 percent to 14.25 percent, costing an additional \$4.9 million. The budget also allocates approximately \$4.2 million of the new revenue to public safety. The majority of this is allocated for operating costs associated with the replacement jail and new fire and rescue stations. In Human Services, program adjustments, increases in contract costs for the Comprehensive Services program and other personnel and operating adjustments have been funded using \$2.5 million of the new revenue. Adjustments in other departments, and other non-departmental expenditures including debt service, have been funded with \$5.0 million of the new revenue.

Department requests totaling approximately \$6.6 million have not been funded in FY2005. Areas comprising the largest proportion of these requests include personnel and capital equipment for police and fire and emergency medical services and as well as in the Human Services areas such as Mental Health, Social Services and Parks and Recreation.

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For specific information on the FY2005 budget, please refer to individual department narratives and the appendices to this document.



Highlights of new and continued expenditures in the FY2005 Budget are presented below by strategic goal.

To Be Exemplary Stewards of the Public Trust

- Adds \$2.6 million to fund balance through FY2005, continuing adherence to the Board's financial policy to maintain 7.5 percent - FY2005 ending fund balance is projected to be \$39.2 million
- Supports a seven-year \$708.9 million proposed Capital Improvement Program which establishes projects for the next referendum tentatively planned for fall 2004 and maintains the ratio of debt service to expenditures to no more than 8.5 percent over the term of the CIP
- Per Board policy, funds the Reserve for Future Capital Projects at 5 percent of projected general governmental expenditures, an amount equal to \$9.6 million, thus reducing dependence on debt

To Be the Safest and Most Secure Community as Compared to Similar Jurisdictions

- Funds 21 Fire positions for a portion of the year for the new Courthouse Road Fire and Rescue Station and provides for operating expenses for the new station
- Funds the balance of costs associated with the opening of the new Rivers Bend Fire and Rescue Station and adds three firefighter positions for staffing at this station

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- Provides for continued enhancements to Emergency Medical Services including continuing the additional staffing on apparatus as well as providing for new enhancements such as a new ambulance, replacement rescue equipment, and paramedic classes
- Provides capital funding and the local salary match for a federal grant for 17 police officers
- Provides funding in the Sheriff's Department for 26 new deputy positions and increased operating costs associated with the new replacement jail facility
- Provides funding for increased costs of Riverside Regional Jail per diems associated with increasing prisoner counts

To Be Acknowledged for its Extraordinary Quality of Life

- Allocates approximately 68% of net property tax revenue to schools, providing an increase of approximately \$11.6 million for education
- Funds operating cost increases for maintenance of athletic fields and continues the annual capital equipment replacement fund in Parks and Recreation
- Provides for the increase in required local match from county and schools for at risk youth in Comprehensive Services
- Increases funding for Mental Health/Mental Retardation/Substance Abuse for psychiatric services - eliminates the three month waiting list for an appointment
- Includes local funding for market based salary adjustments for residential counselors, employment specialists and case managers in Mental Health/Mental Retardation. The budget also includes pass through funds to include the establishment of a group home for mentally retarded citizens, to increase psychiatry services, to address rehabilitation of citizens with long-term mental illness and to support the county's new juvenile drug court program
- Reallocates county resources for a Community Transportation Program for county seniors and disabled customers with limited incomes
- Provides funds for E-government initiatives enhancing citizen's access to information and providing for convenient ways to interact with the county (e.g. crime statistic information, registration for services & activities, maps)
- Provides increased funding in the Library Department for books and part time personnel
- Provides for two additional environmental engineering inspectors for the Upper Swift Creek area
- Continues the tax relief for the elderly program

To Be the Employer of Choice

- Provides for a performance-based merit increase for eligible employees
- Covers approximately 78 percent of the employee health care rate increase and a 42.5 percent increase in employee retirement costs
- Continues funding for the county's security management program including enhancing building security for employees and the public

To Be the FIRST CHOICE Business Community

- Includes additional funds for economic development opportunities for the Meadowville Park
- Continues targeted tax reductions such as the enterprise zone and Business and Professional Occupational License tax reductions
- Provides for additional staff in the Building Inspections department to address increased workload and to maintain quality inspections and a reasonable turnaround time on plan reviews

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To Be Responsible Protectors of the Environment

- Continues funding the county's environmental program which provides training to employees, proactively responds to environmental issues and promotes education of county citizens in the awareness of environmental issues and pollution prevention

To Be a Unifying Leader for Local Government

- Furthers regional relationships by continuing the County's commitment to VCU School of Engineering, Maymont, Henricus Foundation, improvement projects in support of the '2007 Tourism Initiative', the Convention Center as well as other regional initiatives and programs
- Continues to provide funding for a study to prevent the closure of bases in the area (Fort Lee and DSCR)

Capital and Technology Improvement Program

The Capital Improvement Program serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the county. It advances priorities established in recent years, and has been developed under the assumption that a referendum will be held in 2004. The Program represents a balance between finite resources and an ever-increasing number of competing county priorities. This balance was achieved using Board of Supervisor priorities and objectives and is consistent with the county's Strategic Plan.

This Capital Improvement Program totals \$708.9 million, and is comprised of county improvements of \$233.7 million, School Board improvements of \$324.5 million and Utilities Department improvements of \$150.7 million.

The Board of Supervisors and the School Board are planning for a bond referendum in the fall of 2004. As such, this seven-year capital improvement program identifies projects in the FY2005 – FY2011 planning period proposed to be placed on the referendum. A summary of proposed referendum amounts by category is shown below:

<u>Purpose</u>	<u>Proposed Referendum</u>	<u>Percent of Total</u>
Schools	\$231,225,700	76.6%
Public Safety	15,257,100	5.1%
Libraries	35,587,500	11.8%
Parks & Recreation	<u>19,674,700</u>	<u>6.5%</u>
Total	\$301,745,000	100.0%

In developing the FY2005-FY2011 Capital Improvement Program, we have endeavored, where possible to maintain consistency in project funding levels and schedules from the Adopted FY2004-FY2010 CIP. We have consciously limited the inclusion of new projects in light of the slow economic recovery and the potential for additional state funding cuts. However, the projects detailed in this document will enable us to address critical capital facility demands yet adhere to our established financial management policies.

The first year of the FY2005-2011 CIP totals \$85.0 million - \$22.2 million for school projects, \$35.8 million for utilities projects, and \$27.0 million for general county projects. School funding is allocated primarily for the initial funding of two new elementary and middle schools, technology and major maintenance needs. Utilities funding is allocated to both expansion and replacement projects for both water and wastewater system improvements. County funding levels are primarily allocated to public safety, general services and the environment, libraries and parks and recreation. These projects provide the needed investment in both new and expanded facilities as well as provide needed funding for major renovations.

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This plan represents a continued decreased reliance on long-term financing for general county improvement projects. Further, in keeping with the Board of Supervisors' financial policy regarding funding a portion of capital improvements with current revenues, this Program exceeds the targeted current revenue funding levels for both general county and school projects. The county has a goal of funding 20% of the general county projects and 10% of the school projects with current revenues. This Program proposes current revenue funding levels of 29.9 percent for the county projects and 19.2 percent for school projects over the seven-year period.

In summary, this Capital Improvement Program continues the process of planning for a referendum in the fall of 2004. The Program sustains the county's strong financial position, proposes affordable service enhancements, including an emphasis on aging facilities, and presents to the citizens of Chesterfield County the broad range of capital facilities required of a FIRST CHOICE community.

School Funds

On February 24, 2004, the School Board approved the Superintendent's Proposed Financial Plan for FY2005 and FY2006 totaling \$450.7 million and \$468.5 million respectively in four funds. In addition, the county budget includes an appropriation for the school's capital improvement program reserve. Total school funding is shown in the table below. The FY2005 total school budget represents an increase of \$29.4 million or 7 percent, over the FY2004 adopted level. Student membership is estimated at 56,156, an increase of 1,144 over projected actual September 30, 2004 membership. The FY2006 total school budget includes an increase of \$18.1 million over the FY2005 amount and projects school enrollment for September 30, 2005 at 57,260. State funding represents 37.3% of the total revenue for FY2005 and 36.6% for FY2006. The FY2005 budget includes a transfer from the county general fund of \$248.0 million that represents an increase of \$11.6 million, or 4.9 percent, over the FY2004 adopted level. The FY2006 budget includes a general fund transfer of \$263.1 million that represents an increase of \$15.1 million or 6.1 percent over FY2005.

Chesterfield County, Virginia – Total School Budget for the FY2005 and FY2006 Biennium

	FY2004 Budget	FY2005 Adopted	FY2006 Approved
<i>School Operations</i>	\$421,499,200	\$450,723,500	\$468,484,500
<i>Appomattox Governor's School</i>	N/A	3,552,000	3,552,000
<i>School Construction Management</i>	N/A	468,000	491,000
<i>Reserve for CIP</i>	<u>7,470,700</u>	<u>7,643,000</u>	<u>8,025,100</u>
<i>TOTAL BUDGET</i>	<u>\$428,969,900</u>	<u>\$462,386,500*</u>	<u>\$480,552,600*</u>
<i>* Does not include amendments referenced at the beginning of this letter.</i>			

On April 14, 2004 the Board of Supervisors adopted a \$3.5 million change to the FY2005 budget to allow the county to assume the role of fiscal agent for the Appomattox Governor's School as well as a \$468,000 adjustment for the school Construction Management function.

Major priorities in the school budget focus on a pledge to "keep first things first". More than 1,100 new students are expected in each of the next two years. Having an adequate number of teaching staff, textbooks, and supplies as well as maintaining current levels of transportation, combined with increased costs associated with growth in special population services and middle schools will cost an additional \$6.3 million in FY2005.

Over the past several years, attracting and retaining quality staff has become the most critical objective as the school division strives to become the "FIRST CHOICE" employer in the region. Across the nation, it has become increasingly difficult to recruit and retain quality staff and Chesterfield recognizes the importance of offering a comprehensive compensation package as well as a workplace that is conducive to teaching and learning. With regard to total

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compensation, this plan includes continued contributions on behalf of school employees in the areas of health care and retirement. Furthermore, the budget sets aside funding to provide additional compensation, contingent upon the outcome of the general assembly session. All totaled, the budget includes an additional \$14.4 million for employee benefits and an additional \$8.4 million set aside for additional compensation.

The school budget, combined with the capital improvement program, continues the solid investment in the future of the young people of this county. More detailed information regarding the school budget can be found in the School Board's Approved FY2005 Financial Plan.

Utilities Fund

Chesterfield County's Department of Utilities is one of the largest water and wastewater utilities in the country and services approximately 84,000 residential accounts. The Department is entirely funded by user fees that are among the lowest in the area. The FY2005 and FY2006 budget, inclusive of capital improvement projects, totals \$82.95 million and \$80.39 million, respectively. Increases in the total budget are due primarily to changes in the CIP. Projects in FY2005 and FY2006 are being funded in part from funds built up in the rate stabilization reserve fund.

Rates remain constant with those established with adoption of the FY2004 budget. This rate structure provides for the continued funding of the rate stabilization reserve that will allow replacement of aging infrastructure to assure water and wastewater systems provide reliable service while protecting the environment. Compliance with the Chesapeake Bay Act continues to significantly influence the budget. Increases in operating costs for chemicals and treatment plant improvements in the capital improvement program account for large portions of the funding increases.

The FY2005-2011 Capital Improvement Program includes \$150.7 million for planned water and wastewater infrastructure needs (\$90.4 million for water and \$60.3 million for wastewater). In FY2005, \$18.4 million is allocated for the water system, and \$17.5 million is allocated for the wastewater system.

Vehicle and Communications Fund

The fleet maintenance and communications and electronics divisions operate as internal service funds. Fleet Maintenance provides efficient repair, servicing, and maintenance operations to users of county and School Board vehicles. The fleet is a centralized motor pool of county-owned vehicles provided to departments for use in conducting county business.

The FY2005 budget includes funding for four new positions in the fleet division. In addition, the Fleet's budget for FY2005 reflects continued growth of the county's automotive fleet, both in number of vehicles and miles driven. The FY2005 budget includes \$1 million to purchase 58 replacement vehicles. Labor rates have increased by \$2 to \$42/hour for FY2005; the last increase was in FY2003. In addition to new labor rates, a new method of setting lease rates is being implemented in FY2005. The new method of charging departments will ensure that all expenses are captured while providing a consistent monthly billing rate for departments.

The Communications and Electronics Division provides technical support and repair services for all county owned two-way radios, mobile data computer devices, pagers, system infrastructure, and other communication devices. The upgrade of the E-911 Communications Center to an 800 MHz system was installed and accepted by the county at the end of April 2002; the warranty period expired in April 2003. Since that time, county staff has maintained the system. Increases in the operating budget over the last several years can be directly linked to the maintenance costs for the 800 MHz system. Staff is also heavily involved in the implementation and installation of the computer-aided mobile data dispatch system (CADS) for public safety. The FY2005 budget includes funding to create three full time positions beginning in January 2005. Each of these positions is required to handle the increase in workload directly associated with the implementation of the 800 MHz system and CADS.

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GFOA Distinguished Budget Award

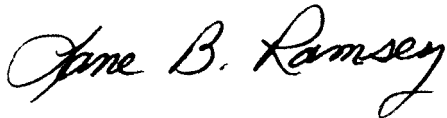
The Government Finance Officers Association of the United States and Canada (GFOA), a national organization, each year recognizes budgets that meet certain rigorous standards. GFOA presented an Award of Distinguished Budget Presentation to Chesterfield County for its biennial budget for the fiscal year beginning July 1, 2003. To achieve this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a communications medium and as a financial plan. The award is valid for a period of one year only. We believe our biennial budget continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award. Chesterfield County was one of four localities in Virginia to have earned the award for twenty consecutive years. The award, along with the Certificate of Excellence in Financial Reporting, and the Accreditation Achievement Award for excellence in public purchasing, helps Chesterfield County present a quality image to bond rating agencies and other outside organizations.

Summary

The budget represents the Administration's best effort to strike a delicate balance between available funding levels and the diversified array of services offered to citizens. It is in these difficult economic times that I am confident we will find ways to satisfy the most important of priorities, while looking for ways to continually improve on what we do. Although funding for new services and programs has been constrained, productivity enhancements will continue to be advanced by our front line employees utilizing the TQI philosophy. Through these efforts we hope to preserve existing services to fulfill our mission statement: PROVIDING A **FIRST CHOICE** COMMUNITY THROUGH EXCELLENCE IN PUBLIC SERVICE.

I would like to thank our staff for their many hours of hard work and their contribution to the development of this budget. The input of the Board of Supervisors in establishing priorities is vital. The amount of time devoted by the Budget and Audit Committee of the Board of Supervisors is also greatly appreciated.

Sincerely,

A handwritten signature in black ink that reads "Lane B. Ramsey". The signature is written in a cursive, flowing style.

Lane B. Ramsey
County Administrator